City of Lafayette Staff Report

For:	City Council
By:	Niroop K. Srivatsa
Date Written:	May 5, 2008
Meeting Date:	May 12, 2008
Subject:	**Lafayette Impact Fees Analysis: Upgrading and Updating the Drainage Impact and Walkways Fees**

Purpose

To authorize the transfer of $37,500 from the General Fund to Fund 11-410-861 to allow Seifel Consulting to complete its work on the drainage impact and walkways fees.

Background

In January 2008, the City Council reviewed and approved the work plan for the planning division. One of the tasks in the work plan was the study to update and upgrade the walkways fee and the drainage impact fee and staff had asked the Council to authorize the expenditure of an additional $30,000[1] to fund the completion of that study. The Council did not take action that evening but directed staff to return with the following information:

1. The amount of fees presently collected by the City

2. Preliminary estimates of revenues to be generated from updating the fees

Analysis

The attached letter from Seifel Consulting indicates that in FY2006/07, the City collected $18,513 in drainage impact fees and was estimating a collection of $11,000 in FY 2007/08. With a fee increase, Seifel estimates that the City could collect approximately $65,000 a year. Regarding the walkways fee, the City collected $850 in FY 2006/07 and is estimating a collection of $1,150 in FY 2007/08. Seifel estimates that the City could collect approximately $33,000 a year in walkways fees.

To date, the City has paid Seifel Consulting $30,000 for updating these two impact fees. An additional $37,500 is required to complete the analysis and propose new fees. Staff

[1] The requested amount of $30,000 was based on a balance of $7,500 remaining in the original Seifel contract of $30,000. This balance has been spent on consultations with staff and preparing the preliminary revenue estimates.

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recommends that the City Council approve this expenditure. The drainage impact fee and the walkways fee have not been updated in recent years and the projected revenues will pay for this study in a year.

Recommendation

Authorize the transfer of $37,500 from the General Fund to Fund 11-410-861 to allow Seifel Consulting to complete its work to update and upgrade the drainage impact and walkways fees.

Attachment

1. Seifel Consulting letter dated May 5, 2008 estimating fees revenues from the drainage impact and walkways fees
2. Seifel Consulting proposal dated November 21, 2007

Seifel
CONSULTING INC.

May 5, 2008

221 Main Street
Suite 420
San Francisco CA
94105
415.618.0700
fax 415.618.0707
www.seifel.com

Ms. Niroop Srivatsa
Planning and Building Services Manager
City of Lafayette
P.O. Box 1968
Lafayette, CA 94549

Re: Preliminary Fee Revenues from Lafayette Drainage and Walkways Fee Programs

Dear Ms. Srivatsa:

Per your request, Seifel Consulting Inc. (Seifel) has prepared preliminary estimates of impact fee revenues to be generated from an update to the City's existing Drainage and Walkways Impact Fee Programs. Our proposed update to the City's Drainage and Walkways Impact Fee program would enable the City to charge a higher set of impact fees on new development (including additions to existing development) that generate an additional need for drainage and walkways infrastructure improvements.

After determining the appropriate allocation of drainage and walkway improvement costs to new development and additions, we would typically project fee revenues based on the fee calculation methodology used to establish the nexus between the proportionate program cost and the impact generated by new development and additions. For instance, if the walkway fee continues to be charged on a residential unit basis, we would multiply the new residential fee by the projected number of units to be added by new development annually based on anticipated development trends.

Alternatively, as we have not collected the full range of data needed to establish a nexus between the fee to be charged and the impacts borne by new development by land use type, we can project annual revenues on a preliminary basis by estimating an allocation of program costs attributable to new development and additions, and projecting fee revenues over the buildout period using an average annual build out assumption. We use this constant growth approach to estimate the fee revenues from the Drainage and Walkways Fee Programs, as described below.

Drainage Fee Program

Over the life of the Drainage Fee Program, the City can anticipate that the fee revenues generated would be equivalent to the proportionate cost of drainage infrastructure needed by new development and additions.

According to the Engineering Department's Drainage Infrastructure Capital Improvement Program (CIP), drainage infrastructure improvements based on identified needs for existing and

new development are approximately $12 million. Additionally, the Engineering Department estimates that another $2.3 million of drainage infrastructure would be required for future needs. Therefore, total estimated infrastructure costs to support existing as well as new development and additions equal $14.3 million.

The Drainage Fee is to be collected on a square foot basis on residential and non-residential development that create additional impervious surface. Current data estimates that overall, the City is 90 percent built out, and about 10 percent of residential and non-residential development would occur between now and the City's buildout.

Accordingly, 10 percent of the total estimated $14.3 million in drainage infrastructure costs, or $1.4 million, would approximately equal the potential fee revenues to be generated by the Drainage Fee program. Over the course of 22 year build out period between 2008 through 2030, fee revenues would equal approximately $65,000 per year, assuming constant annual development.

In FY 2006/07, the City collected $18,513 in drainage fees, and $11,000 was projected for 2007/08 in the 2007/08 final budget based on the City's current fee of $0.10 per square feet of impervious surface. Thus, the fee revenues collected in FY 2006/07 represent about 185,000 square feet of additional impervious surface, while the FY 2007/08 budget level represents about 110,000 square feet of additional impervious surface per year.

Assuming that the City added between 110,000 to 200,000 square feet of impervious surface per year for the next 22 years, between 2.4 million to 4.4 million square feet of impervious surface would be created. The estimated fee is calculated by dividing new development's proportion share of drainage infrastructure costs of $1.4 million by this range of potential new impervious surface, resulting in an increased potential fee, ranging from $0.32 to $.58 per square feet of impervious surface.

Our work in the next phase would further analyze residential and non-residential development trends to better determine the total impervious surface anticipated from new development and additions through the City's buildout. This total development potential will be divided by the project drainage infrastructure costs to be borne by new development and additions in order to determine a new fee by square foot of impervious surface added fee.

Walkways

The walkways fee is currently charged on residential development only, and City staff recommends that this policy continue. According to estimates based on the City's current General Plan, new residential development constitutes approximately 9 percent of total residential development. Using the constant growth fee revenue projection methodology described above, we estimate that the fee revenues from the Walkways Impact Fee Program would generate 9 percent of walkways infrastructure costs over the life of the program.[1]

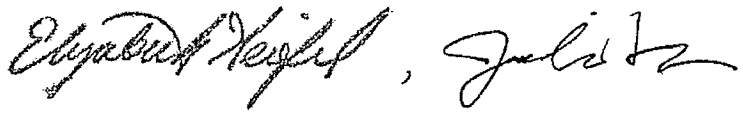
[1] The percentage attributable to impacts from future development will increase once we factor in additions on existing development.

Based on current estimates, the infrastructure improvements identified in the Walkways Master Plan total $8.5 million. Nine percent of total costs equals $764,000, or $33,000 on an annual basis, assuming 22 years to buildout. In contrast, the City collected $850 in walkways fees during FY 2006/07 and is projected to collect $1,150 in FY 2007/08 based on the City's current fee of $50 per dwelling unit.

Initial conversations with City staff indicate that the walkways fee should be charged based on lineal feet of residential frontage in the future, rather than per dwelling unit, because this would result in a fairer allocation of costs. Pending additional data collection and analysis, a more refined annual fee revenue projection could be calculated.

Please feel free to contact us with any questions you may have regarding the above fee revenue estimates. Once we have gathered the needed data to establish a new nexus for the Drainage and Walkways Impact Fee programs, we will be able to refine our fee revenue estimates.

Sincerely,



Elizabeth (Libby) Seifel and Jackie Tsou
Seifel Consulting Inc.

[2] In FY 2006/07, $850 was collected and $1,500 was projected for FY 2007/08 in the 2007/08 final budget.

Seifel
CONSULTING INC.

221 Main Street
Suite 420
San Francisco CA
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415.618.0700
fax 415.618.0707
www.seifel.com

November 21, 2007

Niroop Srivatsa
Planning and Building Services Manager
City of Lafayette
P.O. Box 1968
Lafayette, CA 94549

Re: City of Lafayette Drainage and Walkways Impact Fees Nexus Studies

Dear Ms. Srivatsa:

Seifel Consulting Inc. (Seifel) appreciates the opportunity to submit this proposal to provide economic advisory services to the City of Lafayette (City) on its drainage and walkways impact fee program. This proposal includes a work program and fee estimate for a proposed work effort based on our initial understanding of the work to be performed.

This proposal is designed to serve as a contract between us should you decide to contract with us. It is organized as follows:

A. Proposed Work Program
B. Work Product
C. Schedule for Completion
D. Overview of Compensation
E. Assigned Staff
F. Contract Provisions

Exhibit A: Compensation and General Contract Provisions

Please do not hesitate to call with any questions or suggested modifications to the scope to better suit your needs.

A. Work Program

Based on our initial discussions, we propose to perform the following tasks. These tasks will be refined during Task 1.

Task 1. Project Initiation and Meeting

We will initiate the project by reviewing and refining the work plan with City staff and the City attorney. The key focus of this initial session will be to:

- Review and refine the scope of services based on a mutual understanding of the underlying goals, priorities and parameters of the work program.
- Determine how each work task can best be accomplished and allocate responsibilities among staff and consultant team members to assure the timely and efficient completion of each step.
- Review relevant documents and data provided by City staff in advance of the meeting and determine additional data to be provided by staff subsequent to the meeting.
- Solicit input regarding our proposed fee calculation methodology
- Identify any legal issues and/or considerations that would affect the fee calculation methodology.
- Review the schedule for the assembly of information and the preparation of work products.
- Designate a point person from the City who will be responsible for assembling materials, scheduling meetings, providing input throughout the process, making decisions on the project work effort and compiling feedback from other City staff in a written format on all draft deliverables.
- Review the proposed timeline for completion of each task and establish a schedule for the assembly of information and the preparation of draft documents.
- Agree upon the tasks to be performed and timeline.

Throughout the work effort, we will conduct coordination calls with City staff as needed to assure the work is accomplished effectively. These calls will be scheduled periodically and will serve to evaluate the progress of the project work, obtain additional information and review work performed to date.[1]

Task 2. Drainage Impact Fee Nexus Study and Technical Report

Based on our work from Phase 2 of this project, Seifel concluded that the City's drainage infrastructure needs (identified in the Drainage Master Plan) is not sufficiently met by the current scope of the Drainage Impact Fee. The purpose of this task is to upgrade the City's current Drainage Impact Fee to include the costs of drainage improvements. The current

[1] City staff shall promptly provide Seifel with all of the information, surveys, reports, and professional recommendations requested by Seifel in order to provide its professional services. Seifel may rely on the accuracy and completeness of these items.

Drainage Impact Fee of $0.10/SF of impervious surface constructed is collected for a drainage study, which has been completed and fully funded. The Master CIP Storm Drain Priority Report (April 2007) itemizes drainage infrastructure improvements needed for city and/or subdivision level infrastructure improvements, as determined by the drainage study. However, the City has not yet adopted an impact fee to fund these improvements. Under Task 2, we will prepare a new nexus study to support the collection of a drainage impact fee to fund city-wide drainage improvements, as contained in the Master CIP Storm Drain Priority Report. Working closely with City staff, Seifel will:

- Review the building permit information from the past three years, provided by City Staff and synthesize data on impervious surface constructed and total parcel size by land use.
- Calculate the percentage of impervious surface by land use.
- Finalize cost estimates for projects on the Master CIP Storm Drain Priority Report, future drainage improvement projects, drainage study and other program costs. Work collaboratively with relevant City staff to clarify assumptions in the cost estimates.
- Perform cost calculations by land use, based on the building permit data provided by City staff. The cost calculations will allocate costs by land use to new development and additions of impervious surface on existing developed lands.
- Prepare a draft Drainage Impact Fee Technical Fee Report.
- Finalize the technical report, incorporating comments and input from City staff.

Task 3. Walkways Impact Fee Nexus Study and Technical Report

Similar to the City's Drainage Impact Fee, the current Walkways Impact Fee of $50/dwelling unit charged to residential developments does not sufficiently cover the City's walkways needs, as identified in the Walkways Master Plan. Using data from City building permit records, we will establish the nexus between cost of residential walkways improvements from the Walkways Master Plan and a walkways impact fee attributable to existing development versus new development, including residential additions.[2] Under Task 3, we will:

- Review the building permit information from the past three years, provided by City Staff and calculate the percentage of residential additions from total residential development from the past three years.
- Work with City staff to identify costs of Walkways Master Plan attributable to walkways in residential areas.
- Work with staff to identify any future walkway improvement projects, drainage study and other program costs.
- Perform cost calculations, based on walkways costs and building permit data provided by City staff, as well as projected new development as determined by the General Plan and other

[2] See footnote two for a definition of additions.

demographic sources of data, such as the State Department of Finance. The cost calculations will allocate costs to new residential development and residential additions.

- Prepare a draft Walkways Impact Fee Technical Fee Report.
- Finalize the technical report, incorporating comments and input from City staff.

Task 4. Ordinance Update Advisory Services

The current City ordinance governing the collection of drainage and walkways impact fees will need to be updated to reflect the analysis from Tasks 2 and 3. For Task 4, Seifel will:

- Review the current City ordinance governing the payment of drainage and walkways impact fees, and provide input to the City Attorney on ways to update and revise the ordinance to reflect the analysis performed in Tasks 2 and 3.
- Advise the City Attorney on the contents and structure of new City ordinances needed to implement the upgraded drainage and walkways impact fees.
- Review the draft ordinances for the upgraded drainage and walkways impact fees and provide comments to the City Attorney.

Task 5. Meeting Preparation and Attendance

Separate from the meeting discussed in Task 1 above, Seifel will also meet with the City staff, Planning Commission and the City Council at three separate meetings. For Task 5, Seifel will:

- Prepare for and meet with City staff to review the Drainage Impact Fee and Walkways Impact Fee technical reports and receive comments and input. At the same meeting, meet with City staff and City Attorney to discuss revisions to the drainage and walkways fees ordinance and contents, and structure of new ordinances needed to implement upgraded drainage and walkways impact fees.
- Prepare for and attend one joint Planning Commission and City Council meeting to present our recommendations for an upgraded Drainage and Walkways Impact Fees.
- Prepare for and attend one City Council meeting, which will serve as the public hearing to adopt the two fees.

Task 6. Additional Services

This scope of services is based on our initial understanding of our role and tasks to be performed. Seifel will provide additional services upon client approval, which may include, but are not limited to:

- Preparing presentations for and/or participating in additional public or staff meetings beyond those described above.
- Preparing additional analyses or written products, as mutually agreed upon.
- Providing additional advisory services, as mutually agreed upon.
- Prepare additional fee scenarios and/or analysis beyond those described in this scope of work.

- Review and advise on other related issues and/or documents as needed.
- Prepare more than one (1) draft of the documents described under Task 2 and 3 or redraft documents after the City approves the final draft.
- Provide advisory services to City staff for staff reports needed for meetings.
- Provide other advisory services, as mutually agreed upon.

These additional services will be billed on a time and expenses basis based on the attached billing rates.

B. Work Products

The work products will be two reports, a combined Drainage Improvement Nexus Study and Technical Report, and a combined Walkways Improvement Nexus Study and Technical Report. Seifel will prepare two drafts of each report, a draft version of both Drainage and Walkways Reports and a final version incorporating City staff input. The reports will document the relationship between the proposed fee for drainage and walkways improvements and new development, including additions. The reports will also include an explanation of the fee calculation methodology, summary fee schedule for each of the Drainage Impact Fee and Walkways Impact Fee. Additionally, Seifel will produce presentations for the Planning Commission/City Council study session and City Council public hearing.

C. Schedule for Completion

The schedule for each task will be determined based upon mutual agreement during Task 1.

D. Overview of Compensation

Basic Budget

Given the nature of the assignment, it is difficult to precisely identify the hours required to accomplish our work program. Based on our initial understanding of the scope of work, Seifel proposes to bill on a time and materials basis for Tasks 1 through 5 up to a budget maximum of $35,000. We will keep you informed of budget status and, if additional services need to be authorized for additional services as outlined in Task 6, we will request an augmentation to the contract.

Additional Services/Contingency Budget

If necessary and requested by City staff, Seifel will provide the additional services detailed in Task 6 on a time and material basis based on the billing rates detailed in Exhibit A not to exceed $2,500. However, any additional remaining budget from Phase 2 of the current Impact Fee work under contract will be applied to the tasks outlined in this scope of work.

Table 1
Budget Summary by Task

Task 1. Project Initiation and Meeting	$2,300
Task 2. Drainage Impact Fee Nexus Study and Technical Report	$12,000
Task 3. Walkways Impact Fee Nexus Study and Technical Report	$12,000
Task 4. Ordinance Update Advisory Services	$1,600
Task 5. Meeting Preparation and Attendance	$7,100
Basic Budget Total	**$35,000**
Task 6. Additional Services	$2,500
Total Budget	**$37,500**

E. Assigned Staff

Elizabeth (Libby) Seifel, President of Seifel Consulting Inc., will provide strategic consultation on all aspects of the project. Ms. Seifel is a certified planner (AICP) who has been applying the principles of real estate economics and planning to property development, redevelopment and affordable housing for over 25 years. Since founding her firm in 1990, Ms. Seifel has managed more than 500 consulting assignments. She has advised private developers, investors and governments in the western and southern United States on residential, commercial and industrial projects ranging in value from $5 million to $4 billion. She has guided the development of thousands of market-rate and affordable housing units. She has also performed economic and fiscal impact analyses, and recommended public financing strategies on a wide variety of proposed developments.

Ms. Seifel is an instructor at U.C. Berkeley Extension teaching courses on redevelopment, affordable housing and public/private partnerships. She has been an instructor, panelist or moderator for conferences or training institutes for the American Planning Association, Broward Alliance, California Association of Local Economic Development, California Redevelopment Association, Housing California, League of California Cities, MIT Alumni Association, and Urban Land Institute.

Ms. Seifel writes on real estate, redevelopment and affordable housing subjects. She is the editor of the California Affordable Housing Handbook and principal author of the Community

Guide to Redevelopment published by the California Redevelopment Association. She has also written extensively on mixed-income housing, contributing to publications by Solano Press and Urban Land. Ms. Seifel has a Master in City Planning and a Bachelor of Science in Urban Studies and Planning from the Massachusetts Institute of Technology.

Jackie Tsou, Consultant, is a planner with a background in community development, economic development and land use planning. Since joining Seifel Consulting, Ms. Tsou has performed research and analysis on city impact fee programs, as well as prepared financial projections, economic conditions analyses and implementation strategies for redevelopment projects.

Prior to joining Seifel, Ms. Tsou was a U.S. Department of Housing and Urban Development Community Department Fellow. Ms. Tsou worked on a number of community planning and policy projects with Bay Area non-profit organizations and local government agencies, including Urban Ecology and Urban Habitat, the City of Richmond Community Redevelopment Agency and the Richmond Planning Department. With Urban Ecology, Ms. Tsou led community planning efforts in the San Antonio District of Oakland, CA. Ms. Tsou researched the social implications of green economic development policy while at Urban Habitat. With the Community Redevelopment Planning Departments in Richmond, Ms. Tsou provided technical assistance on a variety of redevelopment projects and policy documents.

Ms. Tsou has a Master in City and Regional Planning from the University of California, Berkeley, and a Bachelors of Science, cum laude, in Natural Resources, from Cornell University.

F. Contract Provisions

The terms of compensation and general contract provisions, described in Exhibit A, are incorporated into this contract by this reference. This letter agreement and these exhibits constitute a legally binding contract, setting forth the terms and conditions under which Seifel (Consultant) shall perform services for the City of Lafayette (Client) in conjunction with this work program.

This letter has been signed by Elizabeth Seifel and once countersigned by you, represents a legally binding contract to perform the tasks as outlined in this letter proposal and attached Exhibit A.

By: _____ 11/21/07

Elizabeth (Libby) Seifel — Date
President, Seifel Consulting Inc.

By: _____ _____

Steven B. Falk — Date
City Manager, City of Lafayette

Exhibit A
Compensation and General Contract Provisions

Seifel Consulting Inc. bills on a time and materials basis, using the following rates for 2007. Billing rates are subject to annual revision.

2007 Hourly Rates (Time)

Elizabeth Seifel, President	$225
Principal	$190
Managing Consultant	$170
Senior Consultant	$140
Consultant	$118
Analyst	$108
Research Assistant	$98
Document Processing/Graphics	$72

Testimony as expert witness at court trials, administrative hearings, and depositions will be billed at 200 percent of the above rates. Travel time is billed at 50 percent of above rates. Expedited work at client's request will be billed at 150% time (Rush Fee).

Expenses (Materials)

Seifel Consulting Inc. bills expenses as follows:

- In order to lessen time-consuming paperwork and processing costs, a 2% overhead charge will be added to each invoice to cover a portion of reimbursable expenses, including phone charges, in-house photocopying/printing, delivery charges and miscellaneous other charges under $25.
- Major reproduction, delivery and travel costs, which significantly differ by client, will continue to be billed separately.
- Photocopying/report reproduction charges above $25 per month will be billed at 10 cents per black & white single-sided letter page (20 cents for a ledger sized page) and one dollar per color single-sided letter page (two dollars for a ledger sized page), except for bulk reproduction of reports, which is charged on a direct reimbursable basis.
- Delivery service charges above $25 per month will be billed at cost.
- Automobile mileage charges will be billed based on the Internal Revenue Service Optional Standard Mileage Rate. Other travel and per diem expenses, including airfare, automobile rental and hotel (if necessary) are charged at actual cost.

Project Delays

While we attempt to provide staffing arrangements for projects based on current conditions, projects that are put on hold by the Client may require an adjustment of team members based upon the date the project resumes. In accordance with that date, additional hours will be required to familiarize and educate team members and will be billed as additional services. Further, if the Client's key staff member(s) originally assigned to the project are no longer able to work on the project in the future, the budget may need to be revised to reflect training and education of new staff assigned to this project.

If the project is put on hold by the Client for a term of six (6) months or more, the contractual fee arrangement may be adjusted to reflect appropriate fee scales.

Payment Terms

Invoicing

Seifel shall invoice Client on a monthly basis for all hourly services performed and all reimbursable expenses incurred by Seifel during the preceding month. Invoices are due and payable by Client within forty five (45) days of invoice date. Invoices not paid by Client within forty five (45) days of invoice date shall commence bearing interest on the 46th day after invoice date at the rate of 10 percent (10%) per annum until they are paid in full.

Delinquent Payment/Work Stoppage

If at any time Client is more than forty five (45) days delinquent with respect to an undisputed invoice, Seifel reserves the right to stop performing services under this letter agreement without any liability whatsoever to Client for damages of any kind client may incur in connection with Seifel's work stoppage.

Good Faith Disputes

Any disputes concerning Seifel's invoices must be addressed by Client in writing to Seifel within forty five (45) days of the invoice date. The absence of any such inquiries within the forty five (45) day period shall be deemed an unequivocal acceptance of Seifel's services and an agreement with Seifel's charges for all such services/materials.

Independent Contractor Status

It is understood that Seifel, in performing the services described in this letter agreement, shall act as and be an independent contractor, and not an agent or employee of Client. Nothing in this letter agreement shall be interpreted or construed as creating or establishing the relationship of employer and employee; it is expressly acknowledged that Seifel is not an employee of Client for federal or state tax purposes. Seifel shall retain the right to perform services for other ventures or concerns during the term of this letter agreement.

Ownership of Materials

This Agreement creates a non-exclusive and perpetual license for City to copy, use, modify, reuse, or sublicense any and all copyrights, designs, and other intellectual property embodied in plans, specifications, studies, drawings, estimates, and other documents or works of authorship, fixed in any tangible medium of expression, including but not limited to, physical drawings or data magnetically or otherwise recorded on computer diskettes, which are prepared or caused to be prepared by Consultant under this Agreement ("Documents & Data"), with the exception of computer models previously developed by the consultant.